

## Message Text

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73

ACTION EB-11

INFO OCT-01 ARA-11 EUR-25 ADP-00 CAB-09 CIAE-00 COME-00

DODE-00 INR-10 NSAE-00 RSC-01 FAA-00 L-03 TRSE-00

PA-03 PRS-01 USIA-12 SS-15 NSC-10 RSR-01 /113 W

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R 171602 Z MAY 73

FM AMCONSUL NASSAU

TO SECSTATE WASHDC 4239

INFO AMEMBASSY BRUSSELS

AMEMBASSY GEORGETOWN

AMEMBASSY LUXEMBOURG

C O N F I D E N T I A L NASSAU 653

E. O. 11652: GDS

TAGS: ETRN BF

SUBJ: CIVAIR: BAHAMAS FLAG AIRLINE AND OTHER RECENT CIVAIR  
DEVELOPMENTS

### 1. BAHAMAS FLAG AIRLINE

A. THE BAHAMAS GOVERNMENT'S NEW NATIONAL AIRLINE, BAHAMASAIR, IS TO BEGIN SERVICE JULY 1, 1973. FLYING BOTH DOMESTIC AND BAHAMAS- MIAMI ROUTES, IT WILL REPLACE OUT ISLAND AIRWAYS ( OIA) AND FLAMINGO AIRLINES.

B. THE NEW LINE IS BEING BUILT AROUND OIA, WHOSE SHAREHOLDERS WILL ACCOUNT FOR 45 PERCENT OF THE OWNERSHIP OF THE NEW AIRLINE. AMERICAN SHAREHOLDERS WILL CONTROL APPROXIMATELY 20 PERCENT OF THE NEW AIRLINE'S STOCK. THE FLAG CARRIER WILL ACQUIRE ALL OF OIA'S ASSETS. CONVERTIBLE DEBENTURES EQUAL TO 10 DOLLARS PER SHARE OF OUTSTANDING OIA STOCK AND COMMON SHARES OF THE FLAG CARRIER EQUAL TO THREE DOLLARS PER OUTSTANDING SHARE OF OIA ARE BEING PAID TO OIA.

C. THE AIRLINE IS BEING SET UP AS A LIMITED LIABILITY COMPANY KNOWN AS BAHAMIAN AIR CARRIER ( HOLDINGS) LTD. THE GOBI  
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IS PUTTING UP 2,850,000 DOLLARS OF WHICH TWO MILLION DOLLARS WILL BE CASH PROVIDED BY THE ROYAL BANK OF CANADA AND A CONSORTIUM OF OTHER BANKS AS PART OF THE ROLL-OVER OF THE GOBI'S SHORT AND MEDIUM TERM DEBT (SEE NASSAU'S A-91).

D. OIA ACCEPTED THE GOBI'S DEAL MORE OR LESS WITH A "GUN TO ITS HEAD". IT WAS A QUESTION OF RESCUING SOME OF ITS INVESTMENT NOW, WHILE RETAINING THE CHANCE TO MAKE SOME MONEY AS PART OF THE NATIONAL CARRIER, OR LOSE EVERYTHING.

E. THE NEW CARRIER'S FLEET WILL CONSIST OF A JET BAC-111, ONE FH-227, THREE TWIN OTTERS, ONCE BRITAIN/NORMAN ISLANDER, FOUR AERO COMMANDERS, TWO GRUMMAN GOOSE AND TWO GRUMMAN WIDGEONS. ORDER WILL BE PLACED FOR EARLY DELIVERY OF TWO ADDITIONAL BAC-111'S AND ONE FH-227.

F. IN ADDITION TO EXISTING ROUTES, DISCUSSIONS ARE TAKING PLACE FOR A ROUTE TO THE TURKS AND CAICOS ISLANDS. THE PRESS RELEASE ALSO MENTIONED SEEKING ROUTES TO ORLANDO, FLORIDA AND ATLANTA, GEORGIA. THE GOVERNMENT'S AGREEMENT WITH OIA STATES THAT "THE GOVERNMENT WILL GIVE THE FLAG CARRIER THE RIGHT OF FIRST REFUSAL TO EXERCISE THE INTERNATIONAL SCHEDULED AIR TRAFFIC RIGHTS FOR CARRIAGE OF PASSENGERS, CARGO AND MAIL FROM TIME TO TIME ENJOYED BY THE GOVERNMENT AND WILL USE ITS BEST EFFORTS TO ENSURE THAT ANY TRAFFIC RIGHTS GRANTED TO OTHER INTERNATIONAL AIRLINES WILL NOT BE SUCH AS TO COMPROMISE THE FINANCIAL VIABILITY OF THE FLAG AIRLINE". THE AGREEMENT ALSO STIPULATES THAT IF THE FLAG CARRIER DECLINES A ROUTE OFFERED BY THE GOVERNMENT AND THE GOVERNMENT DESIRES IT TO IMPLEMENT THE ROUTE A MUTUALLY AGREEABLE METHOD OF FINANCING (I.E., GOVERNMENT SUBSIDIES) SUCH ROUTES MUST BE NEGOTIATED.

G. THOUGH THE GOBI/OIA AGREEMENT SAYS THE FLAG AIRLINE WILL BE TREATED AS ANY OTHER AIRLINE FOR LANDING FEES, CUSTOMS DUTIES, ETC., PROVISION IS MADE FOR WAIVING SOME OR ALL THESE FOR A TIME TO HELP THE AIRLINE SERVICE ITS LONG-TERM DEBT.

2. FLAMINGO CRASHES: THOUGH THE OFFICIAL PRESS RELEASE SAYS THAT NEGOTIATIONS ARE CONTINUING WITH FLAMINGO AIRLINE, THIS IS ONLY "EYEWASH". THE GOBI HAS APPARENTLY MADE THE DIFFICULT POLITICAL DECISION TO LET FLAMINGO, WHICH IS HEADED BY PLP  
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SENATOR CADWELL ARMBRISTER, GO UNDER. APPARENTLY THE REALIZATION THAT FLAMINGO WOULD BRING ONLY LIABILITIES TO THE NATIONAL AIRLINE OUTWEIGHED THE POLITICAL CONSIDERATIONS. FLAMINGO'S LICENSE EXPIRES AT THE END OF THIS MONTH AND WILL NOT BE RE-NEWED. THE FALL OF FLAMINGO MAY LEAD TO THE DEMISE OF ALBERT BUCHBINDER'S NASSAU BANK AND TRUST AS IT HAS SEVERAL MILLION IN FLAMINGO.

3. IAB AND BAHAMASAIR: NASSAU 497 REPORTED PLANS TO INCLUDE INTERNATIONAL AIR BAHAMAS ( IAB) IN THE NATIONAL FLAG CARRIER. THAT INFORMATION WAS OBTAINED FROM AN IAB SOURCE AND EVIDENTLY REPRESENTED IAB'S HOPES RATHER THAN PRESENT GOBI PLANS. ( A MINISTRY OF TOURISM OFFICIAL INVOLVED WITH THE ESTABLISHMENT OF THE NATIONAL CARRIER SAYS THAT CONSIDERATION MAY BE GIVEN TO APPOINTING IAB AS GENERAL AGENT. THI WOULD ENABLE THEM TO USE IAB'S EXISTING EXTENSIVE SALES OFFICES AND PROMOTIONAL SKILLS. ANY IDEA OF BRINGING IAB INTO THE NATIONAL AIRLINE WILL NOT EVEN BE CONSIDERED BY THE GOBI FOR AT LEAST TWO OR THREE YEARS.)

4. BAHAMAS WORLD AIRLINES TO FLY TO BELGIUM AND CANADA

A. BEGINNING MAY 31, BAHAMAS WORLD AIRLINES WILL BEGIN WEEKLY CHARTER SERVICE FROM BRUSSELS, BELGIUM. EUROPEAN VISITORS WILL BE BROUGHT ON ALL- INCLUSIVE SEVEN OR 14 DAY TOUR PACKAGES. ACCORDING TO BWA BOARD CHAIRMAN EVERETT BANNISTER, THESE FLIGHTS RESULT FROM AN AGREEMENT SIGNED BETWEEN BWA AND SABBENA AIRLINES.

B. LAST MONTH BANNISTER ANNOUNCED THAT THE AIR TRANSPORT COMMITTEE OF THE CANADIAN TRANSPORT COMMISSION HAS APPROVED BWA AS A CARRIER ELIGIBLE TO APPLY TO OPERATE CHARTERS TO AND FROM CANADA. BANNISTER SAID THE AIRLINE WAS TAKING THE NECESSARY STEPS IN ORDER TO BEGIN FLIGHTS AS SOON AS POSSIBLE.

C. THE CONSULATE UNDERSTANDS THAT ON APRIL 30 BWA SUBMITTED A PETITION TO THE CAB FOR RECONSIDERATION OF ITS APPLICATION FOR A FOREIGN AIR CARRIER PERMIT.

5. GUYANA AIRWAYS: A RECENT PUBLICATION OF THE BAHAMAS CHAMBER OF COMMERCE NOTES THAT GUYANA AIRWAYS IS CONSIDERING A NASSAU STOPOVER ON ITS WEEKLY CARGO FLIGHTS TO MIAMI.  
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